



SOUTHEAST ALASKA POWER AGENCY

Minutes of Regular Meeting

February 4-5, 2015

Cape Fox Lodge  
Ketchikan, Alaska

(An audio recording of this meeting is available on SEAPA's website at [www.seapahydro.org](http://www.seapahydro.org))

1) Call to Order

A. *Roll Call.* Vice Chairman Jensen called the meeting to order at 9:00 a.m. AKST on February 4, 2015. The following directors and alternates were present, thus establishing a quorum of the board:

Director	Alternate	Representing	
Lew Williams	Bill Rotecki	Swan Lake	Ketchikan
Judy Zenge	Andy Donato	Swan Lake	Ketchikan
Matt Olsen		Swan Lake	Ketchikan
Joe Nelson	John Jensen	Tyee Lake	Petersburg
Stephen Prysunka	Clay Hammer	Tyee Lake	Wrangell

The following SEAPA staff/counsel were present for all or part of the meeting:

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| Trey Acteson, Chief Executive Officer  | Eric Wolfe, Director of Special Projects |
| Ed Schofield, Power System Specialist  | Kay Key, Controller                      |
| Sharon Thompson, Executive Assistant   | Lisa Maddocks, Administrative Assistant  |
| Joel Paisner, Ascent Law Partners, LLC |  |

B. *Introduction of Staff and Board Members* - Introductions of board members and staff were exchanged for the benefit of new board members.

C. *Communications* - none.

D. *Disclosure of Conflicts of Interest* – Mr. Williams reported a conflict of interest in his capacity as a board member and ownership interest in the Ketchikan Daily News as the Agency had paid invoices from the Ketchikan Daily News.

2) Approval of the Agenda

➤ <b>Motion</b>	<p>M/S (Jensen/Nelson) to approve the Agenda with the following changes:</p> <ul style="list-style-type: none"> <li>Agenda Item 1.B will be changed to 'Introductions of Staff and Board Members'; the remaining items under Agenda Item 1 will be moved forward accordingly</li> <li>Agenda Item 7.B will be changed for a 'Financing Update' by Alan Dashen of A. Dashen &amp; Associates; the remaining items under Agenda Item 7 will be moved forward accordingly</li> <li>Agenda Item 9.B.v will be changed for a discussion on 'Geothermal'; the remaining items under Agenda Item 9 will be moved forward</li> </ul>	<b>Action 15-382</b>
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accordingly

- Agenda Item 13.D will be added as a placeholder for any items of business that may be necessary after the Executive Session.

Motion approved unanimously by polled vote.

### 3) Election of Officers

➤ <b>Motion</b>	M/S (Hammer/Williams) to nominate John Jensen as Chairman. There were no objections to the motion.	Action 15-383
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➤ <b>Motion</b>	M/S (Williams/Nelson) to nominate Clay Hammer as Vice Chairman. There were no objections to the motion.	Action 15-384
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➤ <b>Motion</b>	M/S (Williams/Rotecki) to nominate Judy Zenge as Secretary-Treasurer. There were no objections to the motion.	Action 15-385
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### 4) Persons to be Heard – None.

5) **Introduction to SEAPA (Joel Paisner)** – Mr. Paisner presented a PowerPoint slideshow for the benefit of new board members, which provided Agency orientation.

### 6) Review and Approve Minutes

➤ <b>Motion</b>	M/S (Nelson/Prysunka) to approve the Minutes of the Regular Meeting of November 13-14, 2014. Motion approved unanimously by polled vote.	Action 15-386
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➤ <b>Motion</b>	M/S (Williams/Olsen) to approve the Minutes of the Special Meeting of December 12, 2014. Motion approved unanimously by polled vote.	Action 15-387
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### 7) Financial Reports

(A-I) Mr. Acteson reported that grant expenditures has been broken out on SEAPA's FY 2014 audited financial statements by the auditors and that the statements are available on SEAPA's website, that FY 2014 rebates were issued to the member communities in December, and noted that FY 2015 revenues were trending lower due to weather volatility. He also discussed refinancing of the Agency's callable bonds and the merits of combining the refinancing with additional debt. He advised that pending board approval to move forward with the refinancing, that he and SEAPA's counsel, Mr. Paisner, would travel to each member community to apprise them of documents relating to the bond refinancing that would require their consent, and answer any questions the communities may have.

The meeting recessed at 10:05 a.m. and reconvened at 10:16 a.m.

Alan Dashen of A. Dashen & Associates, SEAPA's financial advisor, presented a slide show to provide an update and explain the purposes of the proposed refinancing of the bonds and financing of capital improvements. Considerable discussion followed on what the benefits would be to the northern communities if SEAPA takes on debt for a resource that is dedicated to Ketchikan.

➤ <b>Motion</b>	M/S (Prysunka/Williams) to adopt Resolution No. 2015-057 granting SEAPA's CEO Authorization to facilitate the process for the refinancing of bonds and debt and for an increase to SEAPA's Fiscal Year 2015 budget for bond administrative costs.	Action 15-388
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A vote was not taken on the motion during this portion of the meeting as the following motion was made to defer the motion adopting the resolution to provide more time for discussion:

➤ <b>Motion</b>	M/S (Williams/Olsen) to defer the Motion adopting Resolution 2015-057 to Item 11B under Old Business in the agenda. The motion passed 3-2 with Mr. Olsen, Ms. Zenge, and Mr. Williams voting to defer the motion, and Mr. Nelson and Mr. Prysunka voting against deferral.	Action 15-389
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Mr. Acteson provided an overview of the various financial reports provided in the board packet.

➤ <b>Motion</b>	M/S (Williams/Nelson) to approve the financial statements for the months of October and November 2014. Motion approved unanimously by polled vote.	Action 15-390
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➤ <b>Motion</b>	M/S (Williams/Olsen) to approve disbursements for the months of November and December 2014 in the amount of \$2,082,447.74. Motion approved unanimously by polled vote.	Action 15-391
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The meeting recessed at 11:50 a.m. for lunch and reconvened at 1:30 p.m.

## 8) CEO Report

Mr. Acteson discussed the impacts of the State of Alaska's budget deficits for FY15 and FY16 and House Bill 78, which seeks to provide an advantage for Independent Power Producers in the market place. He reported on the best practices and process improvements the Agency is moving forward on, and provided an update on the Kake-Petersburg Intertie. He advised that SEAPA recently circulated another community flyer to the member communities which has been a good communication tool for updates on the Agency's activities, and that SEAPA hired three new employees to fill the Administrative Assistant, Power System Specialist, and Brushing Technician positions that were available.

9) A. **Operations Manager Report (Steve Henson)** – Mr. Wolfe provided a brief report on behalf of Mr. Henson, who was unable to attend the meeting. He provided updates on SEAPA's Wrangell Reactor, Satellite Communications System, Swan-Tyee Intertie Helipads, Wrangell Circuit Switcher, ATV Use on the Tyee transmission system, and Marine Terminal Gate Replacement and Communications Upgrade projects.

B. **Director of Special Projects Report (Eric Wolfe, P.E.)** – Mr. Wolfe provided a slide show updating the board on SCADA, LAN-WAN communication issues, alarm improvements and alarm trip review, and the Swan Lake expansion project. He reviewed the project schedule and noted that storage is the key to operational flexibility. He advised that a request for proposals or purchase order should issue by the end of April for the Tyee Cooling Water Conversion Project, and reviewed the Tyee Lake Turbine Shutoff Valve Project.

The meeting recessed at 2:57 p.m. and reconvened at 3:15 p.m.

Following the recess, Mr. Wolfe presented a slideshow on the Bell Island Geothermal Project. He provided a background on the previous geothermal investigations, expounded on the benefit of permitting on privately held lands, discussed the preliminary exploration activities that are expected to take place, and outlined the stages of the project if preliminary exploration supports justification for further testing.

Mr. Wolfe recapped the board's decision to not award a contract at an earlier board meeting for load forecasting and demand side management, and offered alternatives for the project for the board's consideration. Following further discussion, the following motion was made:

<b>&gt; Motion</b>	M/S (Williams/Olsen) to authorize staff to enter into a contract for the not-to-exceed value of \$90,000 with D. Hittle & Associates, Inc. for load forecasting services. Motion approved unanimously by polled vote.	<b>Action 15-392</b>
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C. **Power System Specialist Report (Ed Schofield)** – Mr. Schofield provided a background on the efforts that had taken place for remediation of Swan Lake's Water Storage Tank and advised that after a review of all options, the existing tank would be recoated without sandblasting as an analysis of lead test results showed the lead content was under EPA standards. He discussed subsurface work that needed to be done on the Tyee Lake weir to reduce abutment leakage, and reported that staff would seek the assistance of an architect familiar with SE Alaska roofing designs for replacement of the powerhouse roof at Swan Lake. He provided an update on FERC matters noting that additional action items may be required following FERC's review of the Part 12 Report submitted to FERC.

10) **Project Reports** – Mr. Donato provided a report on behalf of Swan Lake. Mr. Wolfe provided an overview of Foreman, Steve Beers', report on behalf of Tyee Lake.

The meeting recessed at 4:50 p.m. on February 4, 2015 and reconvened at 9:00 a.m. on February 5, 2015.

11) **Call to Order** - Chairman Jensen requested a roll call. The same directors and alternates present during the February 4, 2015 portion of the meeting were present for the February 5, 2015 portion of the meeting, thus establishing a quorum of the board. Chairman Jensen recognized past SEAPA Chairman and board member, Bob Sivertsen, who was present at the meeting and thanked him for attending.

12) **Old Business.**

A. *Consideration and Approval of SEAPA Policy Handbook* – Chairman Jensen requested that Mr. Paisner guide discussions relating to the handbook during a section-by-section review of the draft that was presented to the board for review. Mr. Paisner provided a brief history of the handbook and an overview of the nonsubstantive changes that had been made to bring it up-to-date. Chairman Jensen requested a motion for approval of the Handbook after which discussions could continue on the changes that were made.

<b>&gt; Motion</b>	M/S (Williams/Prysunka) for approval of the SEAPA Policy Handbook dated January 2015 presented to board members on January 21, 2015.	<b>Action 15-393</b>
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Mr. Paisner continued his discussion noting that changes to Sections 1 and 2 of the Handbook had already been approved in previous board meetings. Considerable discussion followed on the necessity of redefining the role of the Secretary/Treasurer position to reflect the activities of the position that are consistent with current practices. Mr. Paisner advised he

would prepare some examples of descriptions for the board's consideration at the next board meeting. Sections 3, 4, and 5 of the Handbook were reviewed.

The meeting recessed at 10:13 a.m. and reconvened at 10:25 a.m.

The remaining sections of the Handbook were reviewed with the consensus of the board that staff bring back another draft of the Handbook to the next board meeting, which incorporates changes to the items discussed.

<b>➤ Motion</b>	M/S (Williams/Olsen) to defer the motion approving the SEAPA Policy Handbook dated January 2015 presented to board members on January 21, 2015 until the next board meeting. Motion approved unanimously by polled vote.	Action 15-394
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B. *Motion Re Resolution 2015-057 (Resolution Granting SEAPA's CEO Authorization to Facilitate the Process of Refinancing Bonds and Debt and for an Increase to SEAPA's FY15 Budget)* – Discussion continued on the deferred motion regarding Resolution No. 2015-057. Mr. Acteson clarified the purpose and intent of the resolution. A vote was taken on the deferred motion.

<b>➤ Motion</b>	M/S (Prysunka/Williams) to adopt Resolution No. 2015-057 granting SEAPA's CEO Authorization to facilitate the process for the refinancing of bonds and debt and for an increase to SEAPA's Fiscal Year 2015 budget for bond administrative costs. Motion approved unanimously by polled vote.	Action 15-395
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### 13) **New Business.**

A. *Consideration and Approval of 2015 Operations Plan* – Mr. Wolfe provided the basics and history of SEAPA's operations plans for the benefit of new board members. He followed with an in-depth explanation of SEAPA's Operations Plan for 2015 reporting that the wet, warm weather depresses electrical demand, increases municipal hydro generation, and decreases SEAPA exports. He discussed two capital projects that will affect SEAPA's reservoir levels and presented models of expected deliveries and generation for Tyee and Swan and explained that the operations plan for 2015 has a wide draft limit tolerance due to the wide variation in inflows, a storage contingency for loss of generation at Swan or Tyee, and upcoming capital projects.

<b>➤ Motion</b>	M/S (Prysunka/Olsen) to approve SEAPA's operations plan for the following elevations: Swan Lake to be drafted to elevation 300 ft plus or minus (+/-) 15 ft for a minimum of 285 ft and a maximum of 315 ft. Tyee Lake to be drafted to elevation 1315 ft plus or minus (+/-) 20 ft for a minimum of 1295 ft and a maximum of 1335 ft. Motion approved unanimously by polled vote.	Action 15-396
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B. *Next Meeting Dates* – After discussing various board members' schedules, the board reached a consensus on the following dates for regular meetings of the directors during 2015:

March 25-26, 2015 (Wrangell)  
June 10, 2015 (Ketchikan)  
July 29-30, 2015 (Petersburg)

September 24, 2015 (Ketchikan)

The November 2015 board meeting date will be determined at the March 25-26, 2015 board meeting.

C. *Executive Session.*

<p>&gt; <b>Motion</b></p>	<p>M/S (Olsen/Prysunka) to recess into Executive Session to facilitate discussions and update the board regarding the Agency's safety program, and on the status and legal strategies for two FERC actions; the first involving PURPA and avoided costs, and the second relating to SEAPA's application before FERC for a non-capacity amendment for its license on the Swan Lake Hydroelectric Project. The Executive Session will be conducted pursuant to SEAPA's Bylaws, which are consistent with Alaska Statute 44.62.310 as the discussions will involve matters to be discussed with counsel retained by the board members, and the immediate knowledge of which could have an adverse effect on the legal position of the Agency, the Projects, or any of the Member Utilities represented on the board. Motion approved unanimously by polled vote.</p>	<p>Action 15-397</p>
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The meeting recessed at 2:15 for the executive session. The executive session ended at 3:05 p.m. and the regular meeting reconvened at 3:15 p.m.

14) **Director Comments** – Directors provided brief comments.

15) **Adjourn**

Chairman Jensen adjourned the meeting at 3:17 p.m. AKST.